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CHAPTER I

INTRODUCTION

It is well known that, with the attainment of independence, India's aim has been to build what is called a Welfare State in this country. The functions of such a State are wide; they embrace almost all spheres of life, the common object of all being the maximum good of the citizens. In the Directive Principles of State Policy in the Constitution, it is specifically laid down that "the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of national life." Thus, the State shall direct its policy towards securing among other things not only the right of every citizen to an adequate means of livelihood but also effective provision of "public assistance in cases of unemployment, old age, sickness and disablement and in other cases of undeserved want" and also for "securing just and humane conditions of work and for maternity relief."

It is clear, however, that a Welfare State with such comprehensive ideas about its normal functions cannot be created overnight. Indeed, even the most advanced countries of the world, which were in the field long before India became free, cannot be said to have reached the goal yet. But the important thing is that India has not only attempted to make a good beginning but has made

it already. Judged by the standards of other countries, it is no mean achievement that within five years of independence, India has made a good, solid beginning. This refers, of course, to the inauguration of the Employees' State Insurance Scheme on February 24, 1952, in the industrial town of Kanpur and of Delhi.

It is true that the scheme affects employees of a particular kind only, namely, factory employees. Nevertheless, it is important to remember that this is only the first instalment and these employees are engaged in one of the most useful spheres of national life. On them depends the production of wealth, hence of the means of national stability and strength. If the employees are inefficient, unhealthy or discontented, that is to say, if the conditions in which they work lead to inefficiency, to that extent the nation produces less and is thereby poorer and weaker. Thus, the provisions of the scheme will benefit not only the factory employees themselves, but also the nation as a whole which cherishes the hope of becoming one of the foremost nations in the world for peace and prosperity, for material and moral strength, and for a stout and progressive outlook in life.

CHAPTER II

HISTORY

FOLLOWING the adoption, in 1927, by the International Labour Conference of two conventions regarding health insurance for labour in industry, commerce and agriculture, the question of Health Insurance attracted the attention of the Government of India. Of course, even before that there existed one measure which still exists providing some social security to industrial employees. This was the Workmen's Compensation Act of 1923 and State Maternity Benefit Acts were on their way. They provided some security against injury during employment and some help to women employees at the time of confinement, but they were far from satisfactory.

The Second World War, however, made the question urgent, and in 1943 Professor Adarkar was appointed Special Officer to go into it and work out a scheme of health insurance for industrial employees. Professor Adarkar drew up a report in 1944 and recommended a compulsory contributory health insurance scheme for employees engaged in factories connected with the textile, engineering and mineral, and metal industries. Two experts from the International Labour Office reviewed the scheme in 1945 and suggested its extension to all perennial factories covered by the Factories Act. They recommended further that the scheme should be extended also to the risk of childbirth and "employment" injury. On the basis

of the Adarkar report and the suggestions of the experts, the Government of India framed a Bill and introduced it in the Central Legislative Assembly on November 6, 1946. It was passed as the Employees' State Insurance Act by the Dominion Legislature on April 2, 1948, and received the assent of the Governor-General on April 19, 1948.

The attempt to implement the Act brought to light a number of very great practical difficulties. Apart from the formidable task of setting up an organization covering the whole country, difficulties came from one of the parties to the co-operative effort which alone could make the scheme work successfully. By July 1950, which was fixed as the target date for launching the scheme, The Employees' State Insurance Corporation, i.e., the body entrusted with the task of implementing the scheme under the Act made full preparations for putting into effect the first instalment of the scheme at Kanpur and Delhi, which were selected for the purpose. But on June 2, 1950, just before the Corporation had decided to launch the scheme, a number of objections came from the employers at Kanpur which necessitated the postponement of the actual launching of the scheme till appropriate amendments were made to the Act to meet the points raised by them. The Act was accordingly amended by Parliament in 1951 and at last on February 24, 1952, the scheme was launched as a first instalment at Kanpur and in Delhi, to be followed gradually in other industrial centres so that the scheme can cover the whole country by the middle of 1954.

CHAPTER III

BENEFITS UNDER THE ACT

WHOEVER has to work for a living—the days of unearned incomes are rapidly passing—in a factory or an office or in any other establishment, knows what it means to fall ill, to meet with an accident, to be thrown out of employment or what it means to the family if the breadwinner dies suddenly. It deprives him of his daily bread or at least a part of it, throws him into the hands of money-lenders. The very thought of the consequences of such unexpected misfortunes is enough to disturb his peace of mind and affect his efficiency even when he is physically fit. Remove such cares and he is a new man. If a worker knows that there are provisions for free medical relief and cash benefits when he is ill or meets with an accident, or (if it is a woman) there are provisions for free medical care and wages for a period before and after confinement—in short if a man knows that he is secure as long as he works when able, he can give his best to his office and to his nation. If he knows that in the event of death the dependents will not be thrown to the wolves but will be entitled to benefits to meet their needs for a reasonable period which may in certain cases extend to the end of their lives, he can produce much more wealth and be capable of giving much more to his employers and to his country than otherwise. Freedom from economic fear is a great freedom and all social security legislations attack this fear and seek to destroy it. It is the function of an

ideal welfare state to give every citizen the opportunity of earning his living and freedom from fear—fear especially of economic ruin which can involve physical and even moral ruin. The removal of this fear, and the raising of the standard of life, and thus of the capacity for production are at the back of the Employees' State Insurance Scheme. The benefits conferred by the provisions of the Act attack this fear and seek to remove it. Of course, the resources of the State and the time available up to date have been too inadequate to make an extension of these benefits possible, beyond what has been proposed for the whole country in a year's time and what has actually been conferred already on the labour population of Kanpur and Delhi. It is hoped—and the hope is expressed in the Act—that gradually the benefit of such security measures will extend to all citizens.

The benefits proposed for insured persons by this scheme are :

1. *Medical Benefit*—Whenever any insured person needs medical aid, he or she will have it free. Dispensaries—State Insurance Dispensaries—will be run, or arranged for, near the employees' homes. Doctors will be on duty there and medicine available. The employee when ill will be examined free of charge by the doctor in attendance who will prescribe medicines for him if necessary. He will obtain the medicine from the dispensary, also free of cost. If, however, the employee is too ill to get up, the doctor will visit him at his house and prescribe medicine for him free of charge. If the employee needs to enter hospital that also will be arranged for him free of cost. For the employees who live in distant areas mobile dispensaries will visit their places at regular hours so that they may have medical treatment at home.

State Insurance Dispensaries have already been set up

at Kanpur and Delhi where the scheme has started functioning.

Wherever there is a concentration of one thousand or more insured persons in any compact area, independent State Insurance Dispensaries for the exclusive use of the employees have been established near their homes as far as possible. Doctors have been appointed to run them and each doctor has approximately 2,500 persons on his list. He is not allowed private practice so that all his time and attention must be devoted to the employees on his list. Again, the number of doctors in each dispensary has been limited to five so that there may not be an undue rush of patients at the dispensary. Thus, each dispensary will cater for the needs of about 12,000 to 15,000 insured persons.

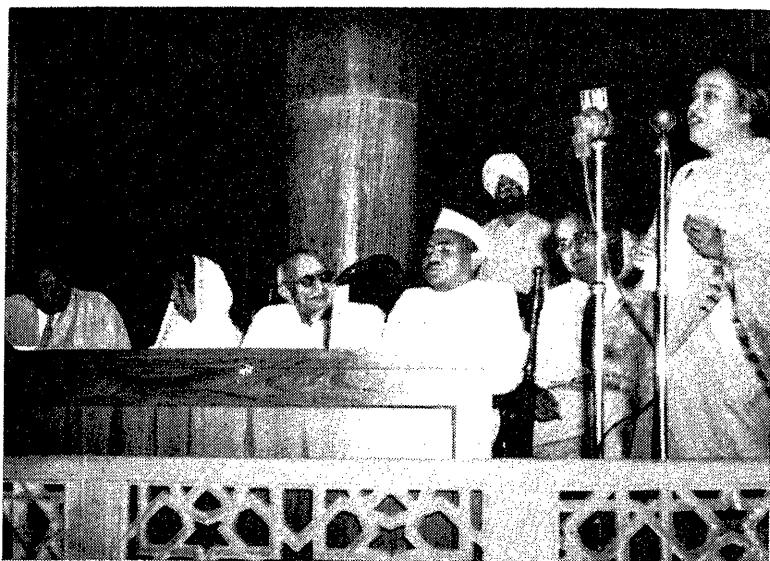
About hospital accommodation needed in certain cases, arrangements have been made with the State hospitals which will set up extra beds, if necessary, to accommodate insured persons needing indoor hospital treatment in serious and emergent cases.

In this connection it may be mentioned that the Corporation is now thinking also of introducing the panel system of treatment. This system prevails in England where an insured person has a choice of the doctor he prefers. It has been found at Kanpur and Delhi that it is often difficult to find accommodation to house dispensaries. If instead of opening new dispensaries the services of existing clinics and the private doctors who own them could be had, the difficulty of finding premises for new dispensaries, needless duplication and unnecessary expense could be avoided. This is possible through the panel system and the panel doctor will be a sort of family physician to the insured person who will get all medical advice from him. It has already been decided that the panel system

will be adopted in the States of Bombay and the Punjab. Its introduction in other States is still under consideration.

The medical benefits, as described above, will for the present be offered to the insured person only and not to any other member of his family. It is the desire of the Corporation to extend benefits also to the family of the employee. It has been estimated, however, that in case of such an extension not only a very huge amount of money will immediately be necessary, there will also crop up other problems, namely of finding more doctors as well as accommodation for additional dispensaries needed to cater for the large number of people involved. Nevertheless, extension of medical care to the members of the families of insured persons is engaging active consideration of the Corporation.

2. *Sickness Benefit*—When an insured person falls ill, he will not only get free medical aid as explained above, he will also receive some sickness benefit. The rate of such benefits is about 7/12th, that is, more than half of the average wages he would have earned had he been well and at work. He can receive this for a maximum period of eight weeks (that is 56 days) in any continuous period of 365 days. Now, in order to earn the right to this benefit during a particular period of six months he must have paid his contribution, as an employee, during a previous six months; the appropriate "benefit period" of six months follows the "contribution period" of six months, after a 'staggering period' of about 13 weeks. If the insured person has paid contributions for at least 2/3rds of the number of weeks in a "contribution period", subject to a minimum of 12 contributions, he will still be entitled to receive sickness benefit. If he has not been in a regular employment and therefore has not paid contributions regularly during the weeks in a "contribution period" in which he was deemed to have been available for employ-



Inauguration of Employees' State Insurance Corporation at New Delhi on October 6, 1948. Above—Shrimati Shanta Mukherjee addressing members of the Corporation. Below—Members and guests listening to inaugural speech by Shri Rajagopalachari



Dr Katial, Director-General of the Corporation, addressing trade union representatives at New Delhi on July 29, 1950

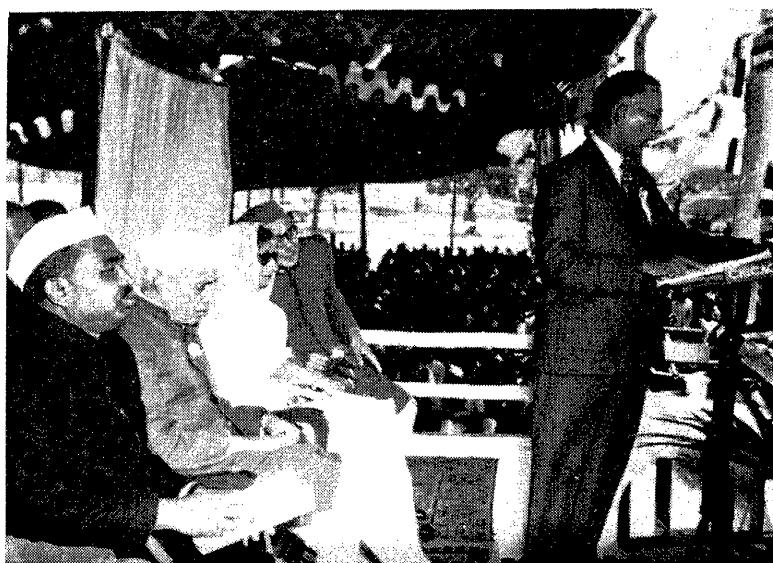
Shri V. V. Giri, Union Minister for Labour, addressing Governing body of the Corporation at New Delhi on December 11, 1952

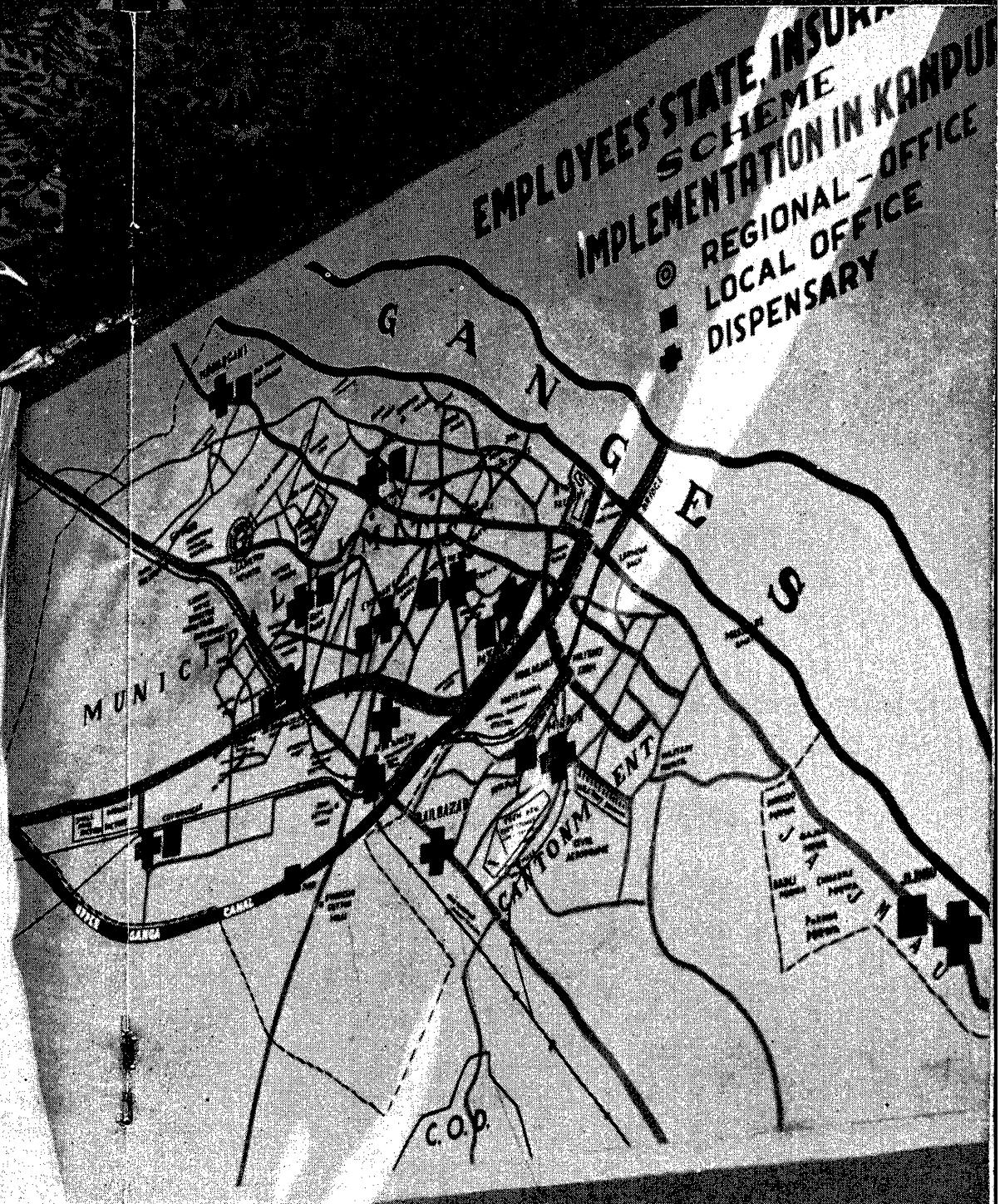




Inauguration of scheme at Delhi

Inaugural meeting at Kanpur on February 24, 1952



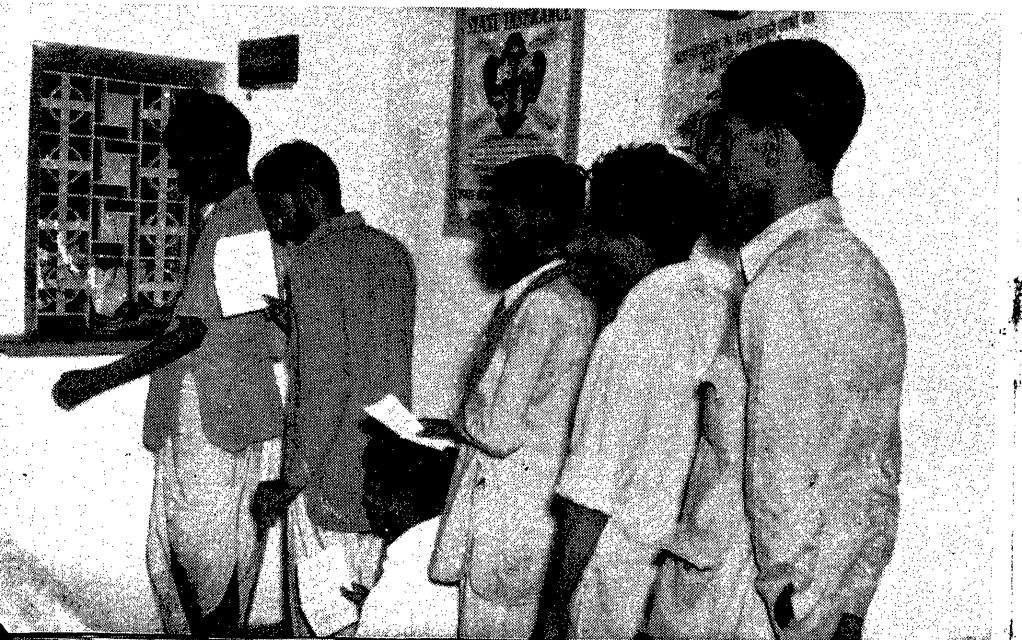


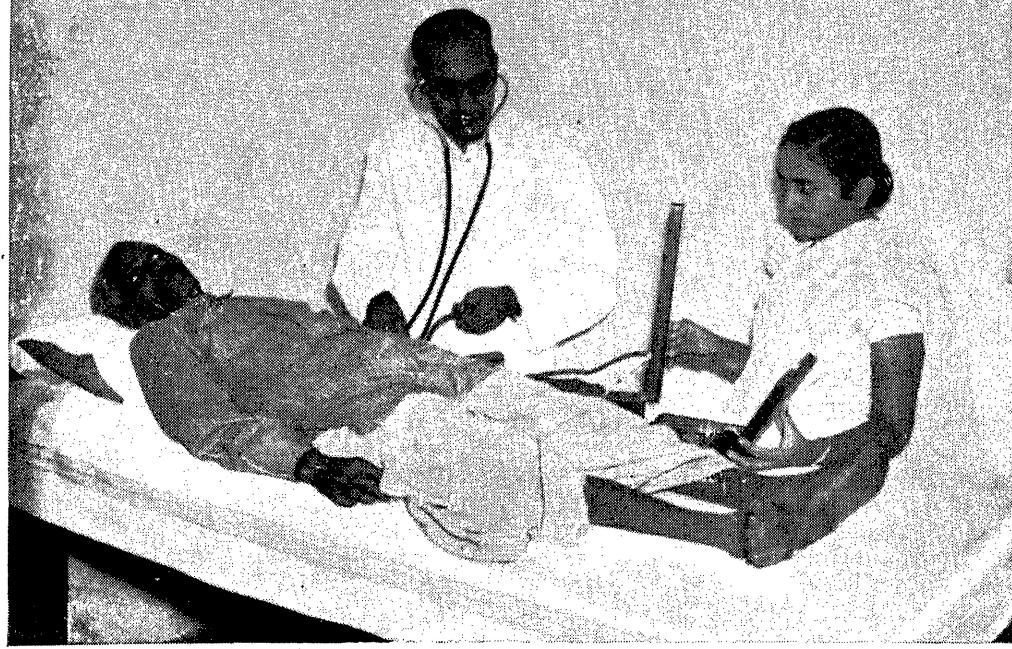
Jawaharlal Nehru unveiling map illustrating scheme at work at Kanpur on February 24, 1952



At branch office of the Corporation

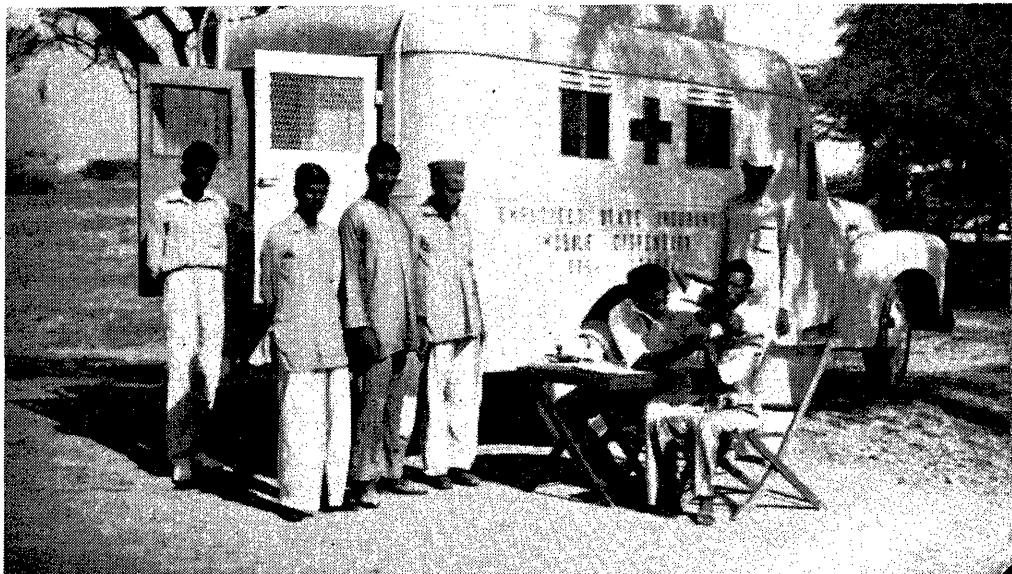
Insured persons receiving payments





Insured employee being examined by doctor at State Insurance dispensary

Mobile dispensary for insured employees





Employees at inauguration of scheme at Kanpur

ment, the rate at which he will receive benefit will be reduced proportionately.

3. *Maternity Benefit*—The woman employee need fear no longer that she will be dismissed from service as soon as she expects a baby. Not only will she retain her job but before and after confinement she will get maternity benefit for a period of 12 weeks of which not more than 6 can precede the expected date of confinement. The rate of benefit will be As. 12 a day or the sickness benefit rate whichever is higher.

To qualify for the maternity benefit the conditions of contributions are the same as in the case of sickness benefit excepting that in the former case one of the contributions must have been paid between 36 and 40 weeks before the week of confinement.

4. *Disablement Benefit*—If an insured person is injured in the course of his work and permanently or temporarily disabled, he will get what is called disablement benefit in the form of cash in instalments. That is to say he will not receive a lump sum once for all. On the other hand he will continue to receive a sum of money periodically so that there will be a regular flow of income to the injured person as long as his disablement lasts. The minimum period of disablement which will entitle him to the benefit is 7 days. In cases, however, where the disablement lasts for over seven days, the disablement benefit is payable from the first day of disablement. In the case of permanent disablement the employee will get the benefit as long as he lives unless a change in the nature of permanent disability calls for a review. The rate of benefit in the case of temporary disablement is a little over half the average daily wage. The provisions of the Employees' State Insurance Act are an improvement in this matter on the Workmen's Compensation Act under which compensa-

tion was paid in a lump sum and the party responsible for the payment of compensation was the employer.

5. *Dependent's Benefit*—If an insured person is hurt in the course of his work and dies as a result, his dependents, i.e., his widow, legitimate (or adopted) sons and legitimate unmarried daughters will get a pension. The widow will get the pension all her life or till re-marriage; each legitimate or adopted son will have it up to the age of 15 or 18, if his education continues till then; and each legitimate unmarried daughter will have it up to the age of 15 or until she marries whichever is earlier, or till the age of 18, if her education continues. If the deceased employee has no wife or children, the benefit may go to his parents or grand-parents or to other dependents at such rates as may be decided by the Employees' State Insurance Court.

To qualify for all these benefits the insurable employee has to pay a very small amount as his share of the contribution which will not be a flat rate. The rates of weekly contribution are as follows :

<i>Group of employees</i>	<i>Employees' contribution recoverable from them</i>
1. Employees whose average daily wages are below Re. 1	Nil
2. Employees whose average daily wages are Re. 1 and above but below Rs. 1-8	Rs. 0 2 0
3. Employees whose average daily wages are Rs. 1-8 and above but below Rs. 2	Rs. 0 4 0
4. Employees whose average daily wages are Rs. 2 and above but below Rs. 3	Rs. 0 6 0
5. Employees whose average daily wages are Rs. 3 and above but below Rs. 4	Rs. 0 8 0

<i>Group of employees</i>	<i>Employees' contribution recoverable from them</i>
6. Employees whose average daily wages are Rs. 4 and above but below Rs. 6	Rs. 0 11 0
7. Employees whose average daily wages are Rs. 6 and above but below Rs. 8	Rs. 0 15 0
8. Employees whose average daily wages are Rs. 8 and above ..	Rs. 1 4 0

Only the employees in the areas where the benefit provisions of the Act have come into force will be required to make this contribution. Those in other areas will not pay anything. From the rate of the employees' contribution, it is clear that it is a small payment for a large benefit.

CHAPTER IV

OTHER PROVISIONS

THE Employees' State Insurance Act applies in the first instance to all factories which are not seasonal. Subsequently, it may be extended partially or wholly to any establishment or class of establishments. The Act covers labour employed directly and indirectly, including the clerical staff, but not members of the Armed Forces nor any person whose salary in the aggregate exceeds Rs. 400 a month.

The Scheme is financed by the Employees' State Insurance Fund consisting of contributions of the employer and the employee, as well as grants, donations and gifts from the Central and State Governments, local authorities or any individual or body. During the first five years, the Central Government will pay two-thirds of the administrative expenses of the Corporation, excluding the cost of the benefits conferred on the insured persons. The State Governments will bear a share of the cost of medical treatment and attendance under the benefit provisions of the Act, the share being decided by an Agreement to be entered into by the Corporation with the State Governments.

As regards the employers' contribution, it is not yet the same everywhere, the reason being that the benefit provisions of the Act do not yet apply to all parts of India. Even so, the employers all over India are paying an employers' special contribution as a percentage of their total

wage bill as fixed by the Central Government from time to time. In the areas, where the benefit provisions have come into force, this rate will be higher than elsewhere. It must, however, be remembered that, unlike the other areas, the employers in respect of whose employees benefit provisions of the Employees' State Insurance Act are enforced are no longer, by virtue of the application of the Act, liable to the provisions of the Workmen's Compensation Act and the Maternity Benefits Acts. When it becomes possible in due course to extend the Act to the whole of India, the rate of the employers' contributions will be the same everywhere and their liabilities under the Workmen's Compensation Act and the Maternity Benefits Acts will be taken over by the Corporation in respect of all insured persons.

The rate of contribution to be made by the employee has already been mentioned in the last chapter. Unlike the employers, he has to pay only in the areas where the provisions of the Act have come into force. His contribution is payable in respect of every week for the whole or part of which he is employed and receives his wages. He must also pay his contribution for periods of authorized leave and of absence owing to lock-outs or legal strikes, provided he receives wages in full or in part for such periods. The amount of weekly contribution depends on his average wage during the week, which is obtained by dividing the total wages in the wage period by the number of days of actual work.

The whole scheme is being administered by an autonomous body, namely, the Employees' State Insurance Corporation. Its Chairman is the Central Minister for Labour and the Central Minister for Health is its Vice-Chairman. Of the other members of the Corporation, not more than five persons are nominated by the Central Government; of these five at least three are to be officials

of the Central Government. One representative each of Part 'A' and Part 'B' States, is nominated by the State Governments concerned. For the Part 'C' States, one member is nominated by the Central Government. In addition, there are fourteen other members, five representing the employers, another five representing the employees, two representing the medical profession and another two elected by Parliament. The executive of the Corporation is a smaller body called the Standing Committee, whose members are drawn from among the members of the Corporation. A third body, the Medical Benefits Council, is formed to advise the Corporation on matters relating to the administration of medical benefit and other connected matters. The Council consists of the Director-General of Health Services as ex-Officio Chairman, the Deputy Director-General of Health Services, the Medical Commissioner of the Corporation, one representative each of Part 'A' and Part 'B' States, three members each representing the employers and employees, and three members, of which at least one member is a woman, representing the medical profession. The Chief Executive Officer of the Corporation is the Director-General, who is assisted by four other Principal Officers, as provided for in the Act.

The Scheme is not to be confined to the association of all interests concerned at the Centre only, but provision exists for setting up Regional Boards and Local Committees in specific areas, with such powers and functions as may be delegated by the Corporation. Two Regional Boards have already been set up at Delhi and Kanpur, and Boards at other places are being set up. This will enable local interests to look after the Scheme in their areas in the best interests of insured persons.

To decide disputes and to adjudicate on claims, the State Government have to set up the Employees' Insurance Courts. Where there are no such courts, there is a provision for the establishment of special tribunals to deal with cases arising

out of the payment or recovery of the employers' special contribution.

It may be mentioned here that this Act now extends to the whole of the Indian Union except Jammu and Kashmir State, though the benefit provisions of the Act have not yet been extended beyond Delhi and Kanpur.

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CHAPTER V

CONCLUSION

It is clear that only the first instalment of social insurance has so far been carried out. The scheme is being extended gradually to other parts of the country so that by 1954 it will have been launched all over the country albeit in this necessarily limited form. The measure is still in the experimental stage. As experience is gained, it will be possible not only to improve the scheme and ultimately to extend it to the families of insured persons but also to other categories of people. None the less, even in its limited application, the health insurance scheme proposes to insure 2½ million industrial employees in the course of two years, which is some measure of its tremendous scope. The huge financial, organizational, and accommodation problems involved in the scheme, however, made its introduction impossible simultaneously throughout the country. It must be realised that the health insurance scheme is not only a blessing to the employees; it is also a boon to the employers and the nation. The contribution demanded of the employers is indeed small compared to the benefits to be derived by industry in the long run. It will ensure a stable, healthy and contented labour force on whose efficiency ultimately the prosperity of the nation depends. The contributions of the employers would be returned tenfold in the form of increased efficiency among the employees and consequently in increased production.

The nation may take pride in the fact that India is the

first country in South East Asia to launch such a scheme. In countries like Britain, for example, problems and difficulties appeared and apprehension was felt, but these were resolved and overcome to the great benefit of these countries. Whatever difficulties have appeared here have been and are being overcome and the country is becoming conscious of the fact that the existence of a healthy and contented labour force is one of the greatest assets to the nation's industrial life. It must be admitted, however, that the scheme is modest, for among other things, it leaves out for the present the large mass of agricultural workers. But it is expected that though the beginnings are small, they will soon grow into a mighty effort by which the employees in all spheres of economic activity will be brought in to share the benefits of the scheme. It is hoped that the day will soon come when social insurance will be a normal feature of administration. In the meantime, the foundations have been well laid and on these ultimately the large edifice of social insurance covering all spheres of life in the country will rise.

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